

# **Finance Committee**

**Senator Jim Waring, Chairman**



**Sean Laux, Research Analyst  
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## **FINANCE COMMITTEE**

### **LEGISLATION ENACTED**

#### vehicle license tax; military exemption (S.B. 1007) – Chapter 239

Exempts Arizona residents in the United States armed forces, including the Arizona National Guard and reserve members, who are deployed in support of a worldwide contingency operation from remitting the vehicle license tax and registration fees for one year when originally registering a vehicle in Arizona. The exemption is limited to one time for the member, the member's spouse or the member's legally designated representative for up to two cars from the date of deployment until one year after the member is discharged from the military.

#### tax liabilities; suspension (S.B. 1036) – Chapter 132

Requires the Arizona Department of Revenue (DOR) to extend any due date and suspend any penalty or interest that would normally accrue, for up to one year, for any affected taxpayer in the event of a presidential-declared disaster, terroristic or military action or Governor-declared state of emergency.

#### tax credit; peace officer expenses (NOW: income tax deadlines) (S.B. 1157) – Chapter 1

An emergency measure, retroactive to December 31, 2006, that extends income tax filing and payment deadlines to the next day that is not a Saturday, Sunday or legal holiday, if the normal deadline falls on a Saturday, Sunday or legal holiday.

Conforms the definition of the United States Internal Revenue Code (IRC) for tax year 2007 to the IRC in effect on January 1, 2007. Updates the IRC definition for tax year 2006 to include retroactive federal tax law changes.

#### tax foreclosure sales; notice (S.B. 1195) – Chapter 193

Reduces the time period a county board of supervisors must publish a list of property for sale at a property tax foreclosure auction, from four weeks prior to the sale to a period of between two and three weeks. A public sale is authorized to be conducted over the Internet.

#### recomputation of tax; final determination (S.B. 1233) – Chapter 160

Retroactive to January 1, 2007, specifies that a final determination, for Arizona income tax purposes, occurs when the appeal rights of the Internal Revenue Service (IRS) and the taxpayer have been exhausted relative to the tax year. Partial agreements, jeopardy assessments and other agreements are considered part of the final determination. Partial, closing and other IRS agreements that would be final except for flow through adjustments are final on the date the agreement is signed. Flow through adjustments are final based on the exhaustion of appeal rights. The Department of Revenue is not required to issue refunds until the final determination has been made.

## **FINANCE COMMITTEE (Cont'd.)**

property tax appeals; hearings (NOW: board of equalization; hearing officers) (S.B. 1554) – Chapter 37

Increases the maximum compensation of State Board of Equalization hearing officers from \$150 to \$300 per day.

contractors; violations; sales tax (S.B. 1592) – Chapter 174

SEE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE.

repeal; certain federal withholding tax (S.C.M. 1001)

Urges Congress to repeal the three percent withholding tax on payments for services and property provided to government agencies.

municipal rental inspections; technical correction (NOW: cable television; licensing) (H.B. 2069) – Chapter 179

Prescribes the costs and expenses a municipal licensing authority is permitted to require a cable operator to incur as part of a license obligation to provide public, educational and governmental access channels.

property tax commission; sunset continuation (H.B. 2078) – Chapter 41

Retroactive to July 1, 2007, continues the Property Tax Oversight Commission until July 1, 2017.

income tax credit review schedule (H.B. 2079) – Chapter 7

Reschedules in 2012 the review of income tax credit for: 1) the family income; 2) contributions to school tuition organizations; 3) public school fees and contributions; and 4) school site donations.

income tax credit; other states (H.B. 2084) – Chapter 112

Provides an individual income tax credit for taxpayers who are considered residents of more than one state, if the other state does not allow the taxpayer a credit for taxes paid in Arizona, retroactive to January 1, 2002. The credit is limited to the proportion of income tax paid to the other state on income earned within that state.

parcel splits; annexations; taxing districts (NOW: parcel splits; taxing districts) (H.B. 2091) – Chapter 8

Requires any taxing district that submits district boundaries to a county board of supervisors for approval after November 1, 2007, to include only entire parcels of real property, as determined by the county assessor; prohibits taxing districts from splitting parcels.

## **FINANCE COMMITTEE (Cont'd.)**

county treasurers; property tax collection (H.B. 2207) – Chapter 117

Allows a county treasurer to allocate taxes to multiple owners of real property that was split or consolidated after September 30 of each year. A current mobile home owner may no longer extend the due date for payment of delinquent taxes that were levied and became delinquent with the previous owner, for a second year without the accrual of interest and penalties.

~~motion picture tax credit; accountability~~ (NOW: tax credit accountability; motion picture) (H.B. 2322) – Chapter 225

SEE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE.

government property tax exemption; retroactivity (H.B. 2476) – Chapter 106

Beginning April 20, 2007, exempts lessees of permanent improvements on land owned by the Salt River Project from property tax, retroactively to September 18, 2003.

solar energy tax credit; application (H.B. 2491) – Chapter 180

Retroactive to January 1, 2006, allows a third party organization that financed, installed or manufactured a qualified solar energy device to claim the income tax credit for solar energy devices, if the entity that would otherwise qualify for the credit is tax exempt and transfers the credit to the third party organization.

~~hearing aid dispensers; continuing education~~ (NOW: municipal sales tax incentives; prohibition) (H.B. 2515) – Chapter 276

Prohibits a municipality located entirely within the boundaries of a metropolitan statistical area having a population of more than two million persons from offering or providing a tax incentive to a business as an inducement or in exchange for locating or relocating a retail business in the municipality, with specific exceptions. A municipality is subject to a reduction in state shared revenue in an amount commensurate to the incentive realized by the business.

income tax deadlines (NOW: prime contracting; property owners) (H.B. 2627) – Chapter 188

Excludes property owners from being classified as prime contractors for transaction privilege tax purposes, regardless of whether a contract for sale has been executed, retroactive to January 8, 1991. If the property title has already passed to the new owner, the original owner may be considered a prime contractor under certain circumstances. Establishes a mechanism for property owners currently classified as prime contractors to apply for tax refunds retroactive to January 8, 1991. Refund requests must be filed by December 31, 2007. The cumulative amount of refunds available to all taxpayers is limited to \$10,000.

property tax; electric generation valuation (H.B. 2657) – Chapter 203

SEE APPROPRIATIONS COMMITTEE.

~~tax relief package; 2007~~ (NOW: 2007 tax reduction package) (H.B. 2784) – Chapter 258

SEE APPROPRIATIONS COMMITTEE.

## **FINANCE COMMITTEE (Cont'd.)**

### **LEGISLATION VETOED**

#### sales tax exemption; commercial photography (S.B. 1320) – VETOED

Exempts, retroactive to August 1, 1993, sales of photographic images by photography businesses to a commercial purchaser for incorporation into a document or motion picture that is used to promote education, business, industry or trade from the retail classification of the transaction privilege tax and use tax.

In her veto message, the Governor indicates that she opposes the creation of a different tax treatment for photographers who sell to commercial purchasers versus those who sell to individual purchasers.

#### residential property tax; homesite area (H.B. 2434) – VETOED

Prescribes a maximum of ten acres of a single parcel to be designated as a homesite for class 3 (owner-occupied residential property) property tax purposes, with prescribed exceptions. If the property's use changes or the property is sold or divided, a property owner must notify the county assessor within 60 days. Property that is disqualified from the homesite designation is subject to tax, interest and penalties from the date of the disqualification.

In her veto message, the Governor expresses concern about allowing unlimited acreage to be designated as a homesite by only filing an initial affidavit with the county assessor stating the property will not be subdivided or used for other purposes. She argues that this provision would allow landowners and developers to achieve significant property tax savings. Additionally, the Governor expresses concern that the bill lacks consequences for a property owner who renounces the affidavit.